

CALIDUS RESOURCES (CAI)

INITIATION: A WA gold developer heading for a big CY20

Analyst Stuart McIntyre
Email steuartmcintyre@boeq.com.au
Phone +61 2 8072 2909
Date 16 December 2019

We say

BUY

Price

0.22

Target

0.55

Strategic Target

0.65

Calidus is an ASX-listed gold developer focused on the 1.25moz Warrawoona gold project in WA, which we believe is heading for big year in CY20. The company is run by an experienced and well regarded management team and recently unwound its legacy shareholding structure. We believe this change, in combination with a host of key de-risking milestones due in CY20 should lead to a re-rating next year. We initiate with a Buy rating and a 55c Target, an implied potential return of ~150%.

SHARE PRICE CHART



Source: IRESS, Blue Ocean Equities

GOLD PRODUCTION & AISC



Source: Company, Blue Ocean Equities

COMPANY DATA & RATIOS

| | |
|----------------------|----------------------------|
| Enterprise value | \$40m |
| Diluted market cap* | \$50m |
| Diluted shares* | 227m |
| Free float | 92% |
| 12 month price range | \$0.40-0.20 |
| GICS sector | Gold |
| Board & Management | ~8%. Alkane 13%. |
| | *Diluted for 12.8m options |

IMPLIED RETURN

| | |
|--------------------------|-------|
| Implied potential return | ~150% |
|--------------------------|-------|

CRITICAL MASS IN PLACE SHAPING UP FOR A BIG YEAR IN CY20

Calidus's 100%-owned Warrawoona gold project in WA has a gold resource of 1.25moz at 1.8g/t, which in our view is sufficient for a viable stand-alone gold operation. A PFS was completed in July 2019, outlining a ~100kozpa operation at AISC of A\$1,159/oz for initial capex of A\$125m over an initial 6 year mine life. The mine life is expected to be increased to 7-8 years via infill drilling as part of the DFS, which is due in Q4 CY20.

Calidus has a market cap of ~A\$50m, with A\$9.9m in cash for an undemanding EV of A\$40m. But at spot gold of ~A\$2,150/oz, we estimate an NPV of ~A\$320m for Warrawoona if the mine life can be increased to ~8 years. The company also has a host of news flow due in CY20 – drilling results, resource upgrade, permits in 2H and the DFS in Q4 CY20.

INITIATE WITH A BUY RATING, 55C TARGET

We initiate on Calidus with a Buy rating and 55c Price Target, an implied potential return of ~150%. Our Price Target is based on the NPV for Warrawoona for an initial 8 years at a gold price of US\$1,500/oz and A\$/US of 0.68 (being only ~3% from spot). We apply a 60% discount to our valuation to account for development risks ahead as well as potential dilution.

CONTENTS

| | |
|--|-----------|
| INVESTMENT SNAPSHOT | 3 |
| Macro: Why Gold? | 3 |
| Stock Specific: Why Calidus? | 3 |
| COMPANY OVERVIEW | 4 |
| A BRIEF HISTORY | 4 |
| THE WARRAWOONA GOLD PROJECT | 6 |
| Geology | 6 |
| Resource & Reserve | 8 |
| Pre Feasibility Study | 9 |
| Mining | 10 |
| Processing | 12 |
| Infrastructure | 12 |
| Development Timetable | 13 |
| Permitting | 14 |
| Native Title | 14 |
| SITE VISIT HIGHLIGHTS | 15 |
| INVESTMENT PROPOSITION | 16 |
| Valuation | 16 |
| Funding Assumptions | 17 |
| Valuation Sensitivity | 17 |
| Price Target & Rating | 18 |
| Strategic Target | 18 |
| Key Risks | 18 |
| Model Summary: Financials & Valuation | 19 |
| Model Summary: Inputs & Free Cash Flow | 20 |
| BOARD & MANAGEMENT | 21 |

INVESTMENT SNAPSHOT

MACRO: WHY GOLD?

We remain constructive on the outlook for gold, driven by the following views:

- Low interest rates are likely to persist for the foreseeable future. History shows that the gold price typically performs best during periods of low or negative real rates in the US.
- Negative yields on cash and bonds: After adjusting for inflation many cash deposits around the world are now negatively yielding, and some banks have actually started to charge interest for holding customer cash deposits. In Aug 2019, there was an estimated ~US\$17 trillion of negatively yielding bonds (Bloomberg).
- Unsustainable global debt levels: **In the first half of 2019 global debt levels hit \$250 trillion, representing 240% of global GDP.** (Institute of International Finance, 15 Nov 2019). We believe this situation is not sustainable and further stress in the system is likely to be positive for gold.
- Risk US/China trade war continues to weigh on global growth
- Risk of more Central Bank intervention:
 - More Central Bank rate cuts – although with a diminishing marginal benefit with each cut, one wonders how much lower rates can go
 - Central Bank stimulus funded by quantitative easing / printing more money

STOCK SPECIFIC: WHY CALIDUS?

Calidus Resources Limited (ASX:CAI) is a ~A\$50m market cap gold explorer/developer focused on its flagship Warrawoona 1.25moz gold project in Western Australia. At end Sept 2019, the company had A\$9.9m in cash, no debt and an enterprise value of ~A\$40m. In our view, Calidus is characterised by:

- **Critical mass in place:** Calidus already has 1.25moz of gold in resource at 1.8g/t at Warrawoona. While we see additional exploration upside, **in our view the company already has the critical mass in place for a viable standalone gold operation.**
- **Legacy capital structure rectified:** Until recently, Calidus had a complex capital structure with Keras Resources Plc (AIM:KRS) holding 33% of the register. The KRS holding was unwound on 25 Nov 2019 via in-specie distribution. The company also completed a 10 for 1 share consolidation on 27 November 2019.
- **Very cheap in our view:** **Calidus has an enterprise value of only ~A\$40m compared to our estimated potential operating cashflow of ~A\$100m p.a. and NPV of ~A\$320m at spot prices** if the mine life at Warrawoona can be increased from ~6 to ~8 years. On our forecasts, the post-tax IRR of Warrawoona is an eye-watering 56% at spot prices.
- **Catalyst Rich:** We believe Calidus is shaping up for a big year in CY20, with significant news flow which should drive a re-rating. In CY20 we expect drilling results, a resource upgrade, permits in 2H and the DFS in Q4 CY20.
- **Solid Board and Management team:** **In our view, Calidus has a high calibre board and management team with the right experience to develop a gold mine in WA.** Mark Connelly (Chairman) is a very experienced gold executive (ex Papillon, Endeavour, Adamus), David Reeves (MD) is a mining engineer with experience in building 3 mines, Paul Brennan (COO) was previously the GM of Saracen's Carosue Dam gold mine in WA over ~4 years through underground ramp-up to steady state (full bios on p21).

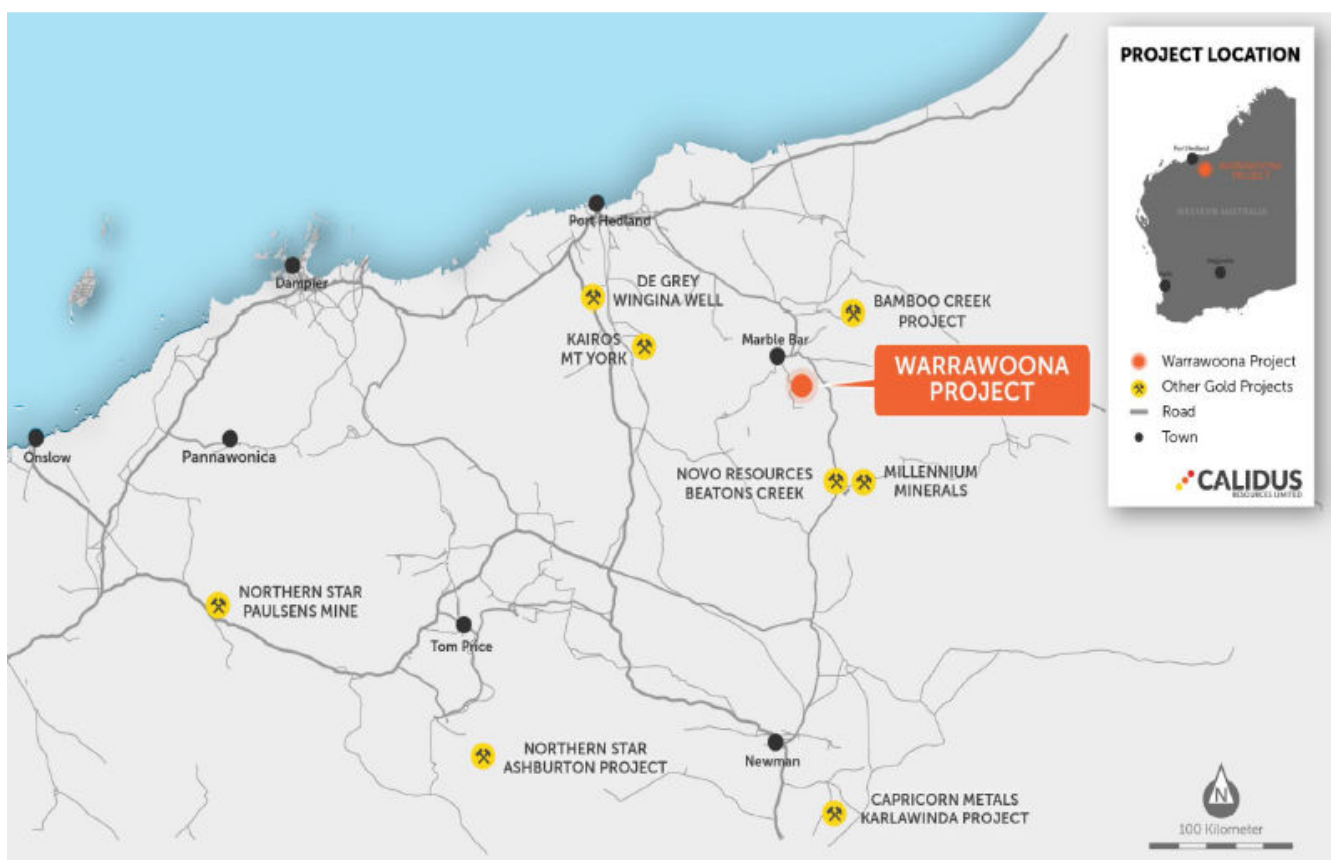
COMPANY OVERVIEW

Calidus Resources Limited (ASX:CAI) is a ~A\$50m market cap gold explorer/developer focused on its 1.25moz Warrawoona gold project in Western Australia. **At end Sept 2019, the company had A\$9.9m in cash.**

The company completed a PFS for Warrawoona in July 2019, outlining a ~100kozpa operation at an AISC of ~A\$1,159/oz over an initial 6 year mine life. A DFS is due for completion in Q4 CY20 and aims to increase the mine life to 7-8 years.

The 100%-owned Warrawoona gold project is located 28km south east of Marble Bar in the North of Western Australia.

Location of the Warrawoona Gold Project



Source: Company

A BRIEF HISTORY

Gold was first discovered at Warrawoona in 1897. A number of gold discoveries were made in the late 1800s in outcropping gold mineralisation at surface, including at Klondyke.

Historical records indicate that small scale artisanal mines produced an estimated ~745kg of gold from 25.2kt of ore at an average grade of approximately 1.1oz/t at Warrawoona, before the focus in Western Australian gold exploration moved to Kalgoorlie and the Goldfields in the early 1900s.

As a result, many of the mines at Warrawoona and the surrounding gold district were owned and operated by single prospectors or small local syndicates, which led to a fractured tenement

ownership. Consequently, the region suffered from a chronic lack of systematic and considered exploration.

Keras (Gold) Australia Pty Ltd (Keras Australia) assembled the tenement package at Warrawoona, forming the Warrawoona Gold Project **for the first time consolidating the ownership of this gold belt into a contiguous, highly prospective package**. At the time, Keras Australia was a wholly owned subsidiary of Keras Resources Plc (AIM:KRS).

In March 2017, Keras Australia was acquired by an ASX-listed shell known as Pharmanet Group Limited (ASX:PNO) which was subsequently renamed Calidus Resources Limited (ASX:CAI). As part of this transaction, Calidus also raised A\$7.875m before costs.

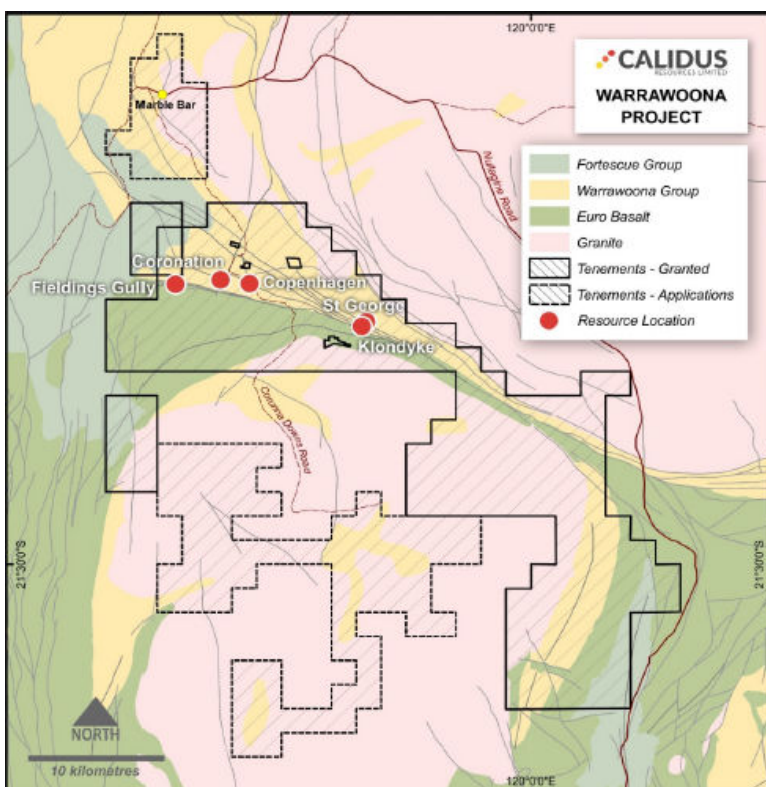
Topography of the Warrawoona project area



Source: Company

Calidus holds a significant 780km² of tenure in the Warrawoona greenstone belt, much of which has not seen any modern exploration.

Calidus’s tenement package in WA



Source: Company

THE WARRAWOONA GOLD PROJECT

The 100%-owned Warrawoona gold project is located 28km south east of Marble Bar in the North of Western Australia. Marble Bar is ~200km south east of Port Hedland, Australia’s largest port.

Calidus holds a significant 780km² of tenure in the Warrawoona greenstone belt, much of which has not seen any modern exploration. **The company has tripled its resource base at Warrawoona over the last ~2.5 years** to 1.25moz @ 1.8g/t.

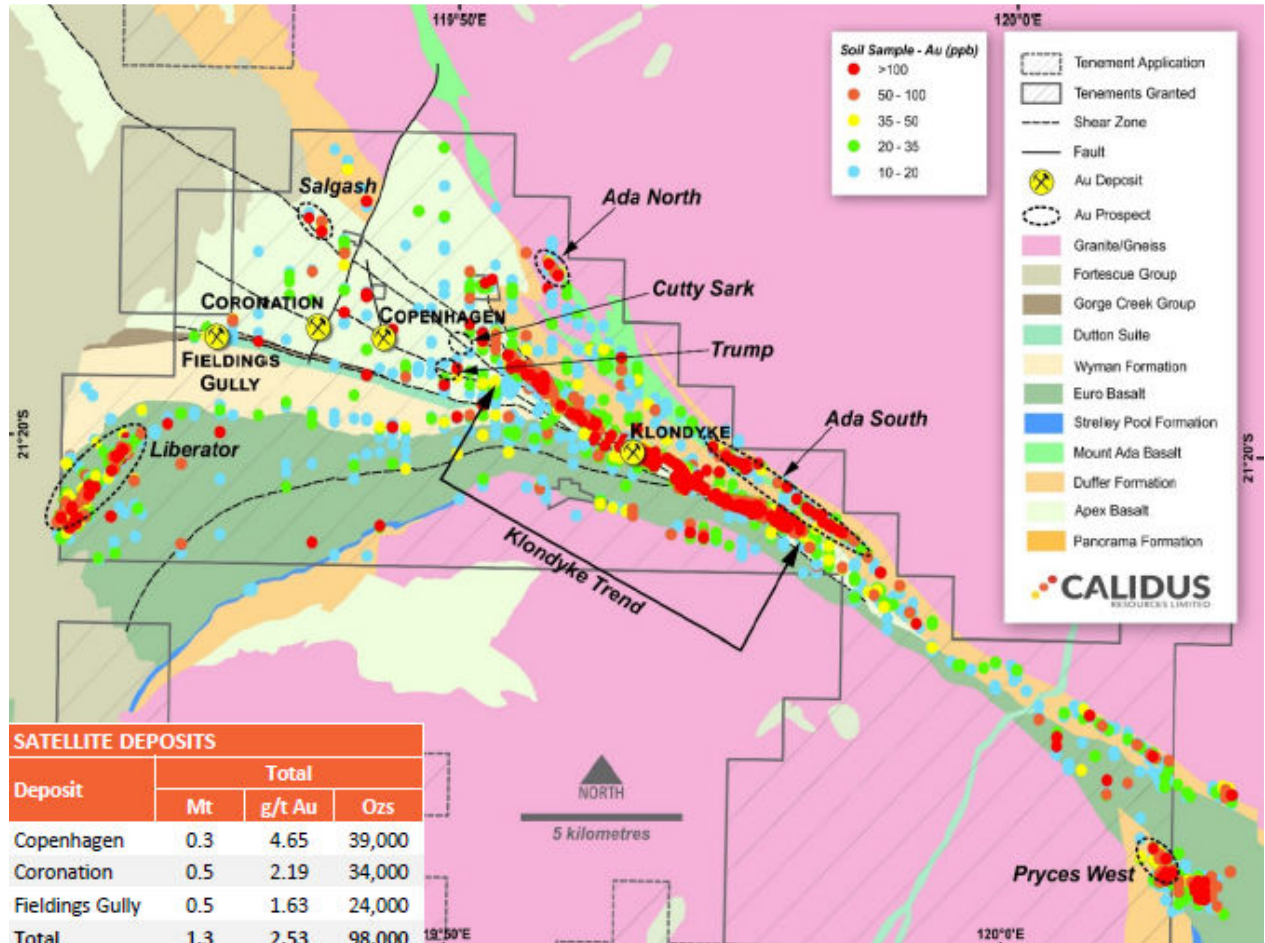
GEOLOGY

The Warrawoona gold project sits on the Warrawoona greenstone belt in the eastern Pilbara in northern Western Australia. This greenstone belt is sandwiched between two large granite intrusions, shown in pink in the picture below.

Over 90% of the 1.25moz Warrawoona resource sits on the Klondyke shear zone, where **the known gold mineralisation is outcropping, subvertical and extends over a strike length of 5km.** Gold mineralisation remains open at depth and along strike in both directions.

The gold mineralisation at Klondyke sits within fuchsite / sericite pyrite bearing mafic unit containing quartz veinlets striking 110° and dipping sub-vertically. There is also a visible marker unit called the Kopcke’s Leader which is a 10-50cm wide black chert band which is laterally persistent and provides a good indication of the location of the mineralisation.

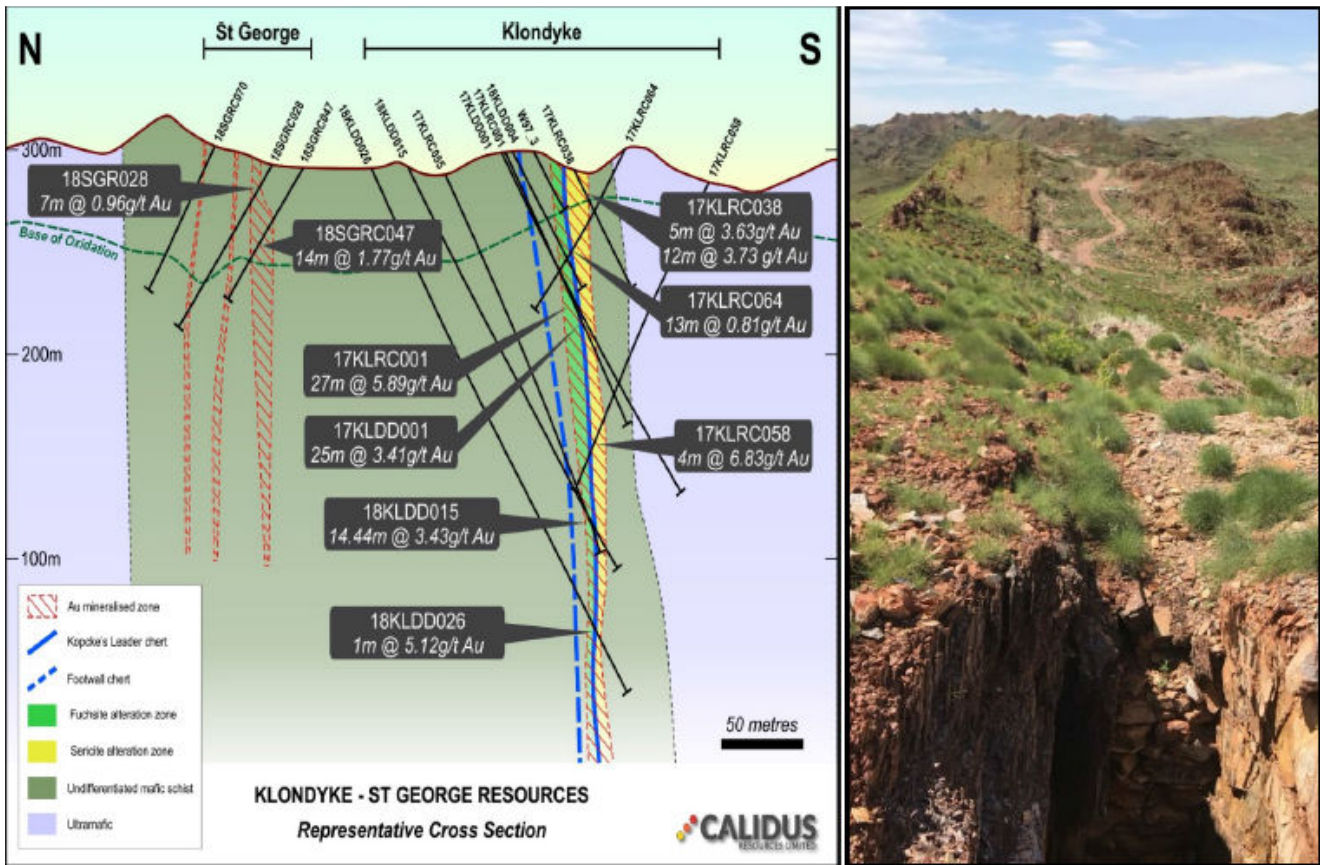
The geology of the Warrawoona gold project



Source: Company

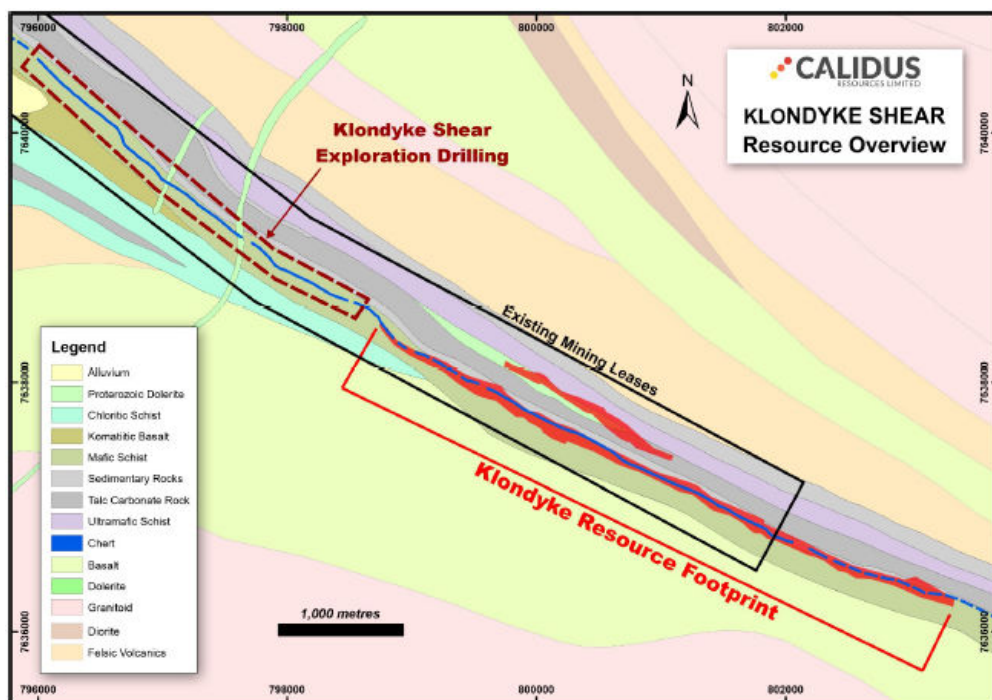
The picture on the left below shows an example of the steeply dipping mineralisation at Klondyke, which runs along the ridgeline as shown in the picture on the right below.

Cross Section of the mineralisation at the Klondyke and St George shear zones



Source: Company

Plan view of Klondyke resource showing parallel St George shear zone



Gold mineralisation at Klondyke extends over strike length of ~5km and the two main shear zones remain open in both directions along strike and at depth.

Source: Company

RESOURCE & RESERVE

The table below provides a summary of the Warrawoona gold resource, with 92% of the ounces or 1.15moz located at the Klondyke deposit.

Warrawoona Gold Resource

| Deposit | Cut-off | Indicated | | | Inferred | | | Total | | |
|----------------------|---------|-------------|-------------|----------------|------------|-------------|----------------|-------------|-------------|------------------|
| | Au g/t | Mt | g/t Au | Ozs | Mt | g/t Au | Ozs | Mt | g/t Au | Ozs |
| Klondyke Open Pit | 0.5 | 12.3 | 1.69 | 670,000 | 5.5 | 1.47 | 260,000 | 17.8 | 1.62 | 930,000 |
| Klondyke Underground | 2.0 | 0.8 | 3.3 | 80,000 | 1.4 | 3.03 | 140,000 | 2.2 | 3.13 | 220,000 |
| Copenhagen | 0.5 | 0.2 | 5.27 | 36,000 | 0.1 | 1.84 | 3,000 | 0.3 | 4.65 | 39,000 |
| Coronation | 0.5 | | | | 0.5 | 2.19 | 34,000 | 0.5 | 2.19 | 34,000 |
| Fieldings Gully | 0.5 | 0.2 | 1.65 | 9,000 | 0.3 | 1.62 | 16,000 | 0.5 | 1.63 | 24,000 |
| Total | | 13.5 | 1.83 | 795,000 | 7.7 | 1.81 | 453,000 | 21.2 | 1.83 | 1,248,000 |

Source: Company

Warrawoona Gold Reserve

| Deposit | Proven | | | Probable | | | Total | | |
|----------------------|--------|--------|-----|------------|------------|----------------|------------|------------|----------------|
| | Mt | g/t Au | Ozs | Mt | g/t Au | Ozs | Mt | g/t Au | Ozs |
| Klondyke Open Pit | | | | 8.0 | 1.4 | 348,000 | 8.0 | 1.4 | 348,000 |
| Klondyke Underground | | | | 0.9 | 2.4 | 70,000 | 0.9 | 2.4 | 70,000 |
| Total | | | | 8.9 | 1.5 | 418,000 | 8.9 | 1.5 | 418,000 |

Source: Company

In July 2019, Calidus released a PFS for Warrawoona, outlining a 6-year mine life, based on the Mining Inventory below, which, in line with normal practice includes a portion of inferred resources.

As part of the DFS (due in Q4 CY20), the company has undertaken a significant infill drilling programme designed to both improve the confidence and expand on the PFS mine life, **including a relatively tight 12.5m x 12.5m infill drilling programme in the open pit** to establish 8-12 months of initial mining in the measured category and to improve the company's geological model.

Warrawoona Mining Inventory

| Material in the Mine Plan | Tonnage (kt) | Grade (g/t) | Ounces (koz) |
|--|---------------|-------------|--------------|
| Open Pit | | | |
| Probable Reserve | 8,021 | 1.4 | 348 |
| Inferred Resource | 1,426 | 1.3 | 59 |
| Total Open Pit material | 9,447 | 1.3 | 407 |
| Underground | | | |
| Probable Reserve | 914 | 2.4 | 70 |
| Inferred Resource | 1,623 | 2.7 | 139 |
| Total UG material | 2,536 | 2.6 | 208 |
| Total Probable Reserve | 8,935 | 1.5 | 418 |
| Total Inferred Resource | 3,049 | 2.0 | 198 |
| Total Material in the Mine Plan | 11,983 | 1.6 | 616 |

Source: Company

PRE FEASIBILITY STUDY

Calidus released its Pre-Feasibility Study (PFS) for Warrawoona in July 2019, outlining:

- ~100kozpa project
- at an AISC of A\$1,159/oz (breakdown below)
- over an initial 6 year mine life
- Initial capex of A\$125m: A\$95m for plant + A\$29.5m for pre-production mining (see below)

One of the key objectives of the DFS, due in Q4 CY20, is to **increase the mine life to 7-8 years**.

Capex & Opex

| Capital Costs | Life of Mine |
|---|---------------|
| Processing Plant | \$72 m |
| Non Processing Infrastructure and Owners Cost | \$16 m |
| Contingency | \$7 m |
| Total Capital Summary | \$95 m |
| Mine Establishment (Pre-Production) | \$29 m |

Source: Company

| AISC Summary | LOM Cost (A\$m) | LOM Cost (A\$/t) | LOM Cost (A\$/oz) |
|-----------------------------------|-----------------|------------------|--------------------|
| Open Pit Mining | \$258 m | \$27 /t | \$635 /oz |
| Underground Mining | \$175 m | \$69 /t | \$837 /oz |
| Mining | \$433 m | \$36 /t | \$746 /oz |
| Processing and Maintenance | \$181 m | \$15 /t | \$312 /oz |
| Business Services | \$25 m | \$2 /t | \$44 /oz |
| Royalties (State and third party) | \$34 m | \$3 /t | \$58 /oz |
| Total | \$673 m | \$56 /t | \$1,159 /oz |

Source: Company

The Warrawoona PFS was managed by Calidus with components completed by a number of specialist consultants, with the principal consultant and study manager being the well regarded GR Engineering Services (GRES).

Warrawoona is fortunate to have a number of project specific cost advantages:

- **Cheap Power:** ~A19c/kwh via LNG trucked from the nearby Karratha LNG plant, one of the largest LNG plants in Australia. Karratha LNG is operated by Woodside for the North West Shelf Venture. The 7-8MW of power for Warrawoona will be provided by a contractor under a Build Own Operate (BOO) agreement.
- **Coarse Grind:** Metallurgy testwork to date has demonstrated 95% recoveries at a relatively coarse grind size of 150 micron (vs. typical grind size of 105 micron). A coarse grind size means less power is required to achieve the optimal grind size.
- **Low Bond Work Index:** A bond work index of 10.25kwh/t means the fresh ore at Warrawoona is relatively soft, which again means less power is required.
- **High Recoveries:** Projected recoveries of 95% are relatively high which flows through to improved unit costs.

In aggregate these cost advantages flow through to a very competitive estimated processing cost at Warrawoona of ~A\$15/t.

MINING

Mining at Warrawoona will be undertaken via contract mining with **~80% of the mill feed from open pit mining**, with the 20% coming from the underground:

- **Open pit:** Conventional truck and shovel operation to a depth of ~180m at an average strip ratio of ~5:1 (waste:ore). The final pit in the PFS was 2km long and 200m wide. Calidus may decide to take the open pit a little deeper in the DFS which is likely to lift the stripping ratio to ~6:1.
- **Underground:** The underground mine will be accessed via a dedicated box cut to allow early access. The underground mining method will be bulk scale sub level open stoping. Large scale stopes will typically be 25-30m high, ~5m wide and 45m along strike. Full height rib pillars ~5m along strike will be retained for stability (no paste fill) – see next page.

One of the notable features of the PFS was the high dilution factors (conservative) used in the calculation of diluted mining grades. To illustrate:

In the Open Pit:

- The open pit M+I resource grade at Klondyke is 670koz @ 1.7g/t
- However, the average diluted open pit mining grade below is 407koz @ 1.3g/t
- To us this suggests the company is applying a degree of conservatism to ensure it sets production targets it can achieve (or perhaps beat).

In the Underground:

- The underground M+I+I resource grade is 220koz @ 3.1 g/t
- Compared to the average diluted underground stope grade of 2.8g/t
- The overall underground grade is further diluted by 2.1g/t development ore to a fully diluted underground grade of 2.6g/t

Warrawoona Production Profile (PFS)

| Key Physicals | Total | Pre-Production | Year 1 | Year 2 | Year 3 | Year 4 | Year 5 | Year 6 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|---------------|
| Mining | | | | | | | | |
| Open Pit | | | | | | | | |
| Ore Mined (kt) | 9,447 | 90 | 2,090 | 1,650 | 1,480 | 1,810 | 1,640 | 690 |
| Mine Grade (g/t) | 1.3 | 1.1 | 1.4 | 1.2 | 1.2 | 1.2 | 1.4 | 1.9 |
| Contained Gold (oz) | 407,148 | 3,200 | 97,400 | 64,800 | 57,200 | 67,800 | 75,600 | 41,200 |
| Underground | | | | | | | | |
| Lateral Development (m) | 19,210 | 1,800 | 3,600 | 3,600 | 3,900 | 4,100 | 2,300 | - |
| Development Ore Mined (kt) | 856 | 10 | 210 | 210 | 210 | 130 | 90 | - |
| Development Ore Grade (g/t) | 2.1 | 1.5 | 1.9 | 2.0 | 1.9 | 2.4 | 3.0 | - |
| Stope Ore Mined (kt) | 1,680 | 0 | 90 | 280 | 400 | 370 | 420 | 120 |
| Stope Ore Grade (g/t) | 2.8 | 0.0 | 2.5 | 2.7 | 2.6 | 2.6 | 3.1 | 2.9 |
| Total UG Ore Mined (kt) | 2,536 | 10 | 300 | 490 | 610 | 490 | 510 | 120 |
| Total UG Mine Grade (g/t) | 2.6 | 1.5 | 2.1 | 2.4 | 2.4 | 2.6 | 3.1 | 2.9 |
| Total UG Contained Gold (oz) | 208,423 | 500 | 20,800 | 37,500 | 47,000 | 40,600 | 50,900 | 11,200 |
| Total Ore Mined (kt) | 11,983 | 100 | 2,390 | 2,140 | 2,090 | 2,300 | 2,150 | 810 |
| Mine Grade (g/t) | 1.6 | 1.2 | 1.5 | 1.5 | 1.6 | 1.5 | 1.8 | 2.0 |
| Contained Gold (oz) | 615,572 | 3,700 | 118,200 | 102,300 | 104,200 | 108,400 | 126,500 | 52,400 |
| Processing | | | | | | | | |
| Ore Processed (kt) | 11,983 | - | 1,982 | 2,000 | 2,005 | 2,000 | 2,000 | 1,996 |
| Processing Grade (g/t) | 1.5 | - | 1.5 | 1.5 | 1.6 | 1.5 | 1.8 | 1.2 |
| Ounces Recovered (oz) | 580,490 | - | 96,300 | 97,800 | 100,600 | 94,500 | 113,900 | 77,400 |

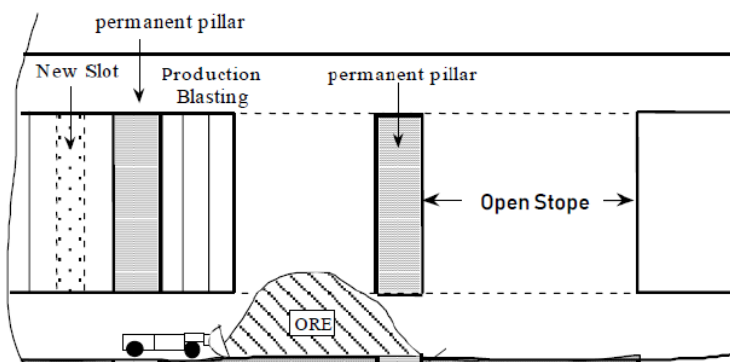
Source: Company

Underground Mining Method

The orientation of the mineralisation at Klondyke is subvertical – ideally suited to bulk scale open stoping.

The underground mining method will be sub level open stoping via longitudinal uphole benching retreat. Large scale stopes will typically be 25-30m high, ~5m wide and 45m along strike. Full height rib pillars ~5m along strike will be retained for stability (no paste fill) as per the dark grey pillars in the diagram below.

Open Stopes with Rib Pillars



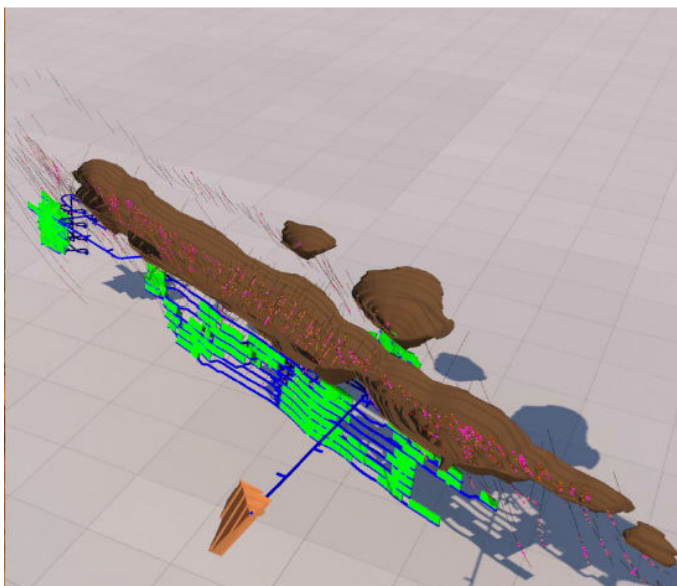
Source: Company

Calidus's Chief Operating Officer (COO), Paul Brennan, has directly comparable experience as he was previously the General Manager at Saracen's Carosue Dam underground mine (for ~4 years), which also employs bulk underground mining techniques.

As an interesting cross check:

- In the June Q, the mill grade from the Carosue Dam underground was 2.5g/t with 93% recovery for production of 45.9koz at an AISC of A\$1,183/oz
- Calidus is targeting a 2.8g/t stope grade, combined with 2.1g/t development ore, for a diluted underground grade of 2.6g/t and 95% recovery for an AISC of A\$1,160/oz

Warrawoona PFS Mine Plan



Source: Company

The ~2km long Klondyke open pit.

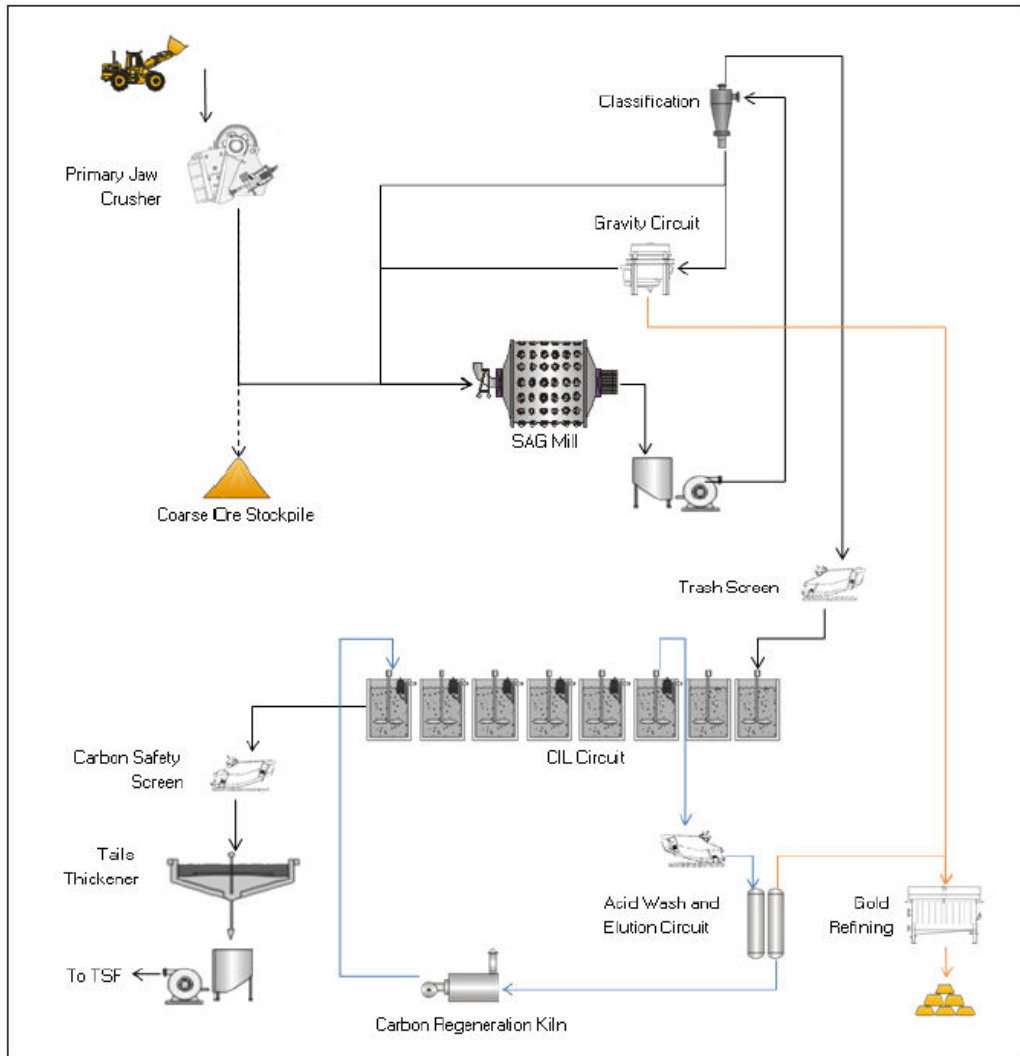
The dedicated box cut is also clearly visible at the bottom of the picture as well as the underground development (shown in blue) and ore to be mined via sub level open stoping (shown in green).

PROCESSING

The process plant at Warrawoona will be a conventional 2mtpa CIL processing circuit with single stage crushing and SAG mill.

Metallurgical testwork has confirmed 95% recoveries at a relatively coarse grind size of 150 micron. The testwork has confirmed gravity recovery of 33%.

Simplified Process Flowsheet



Source: Company

INFRASTRUCTURE

Warrawoona is fortunate to be located in close proximity to key infrastructure:

- **Access:** A 7km access road will be constructed from the public Corunna Downs Road. The project is located 28km south east of Marble Bar and ~200km south east of Port Hedland.
- **Power:** Warrawoona is expected to have relatively cheap power at ~A19c/kwh via LNG trucked from the nearby Karratha LNG plant, one of the largest LNG plants in Australia. Karratha LNG is operated by Woodside for the North West Shelf Venture. The 7-8MW of power for Warrawoona will be provided by a contractor under a Build Own Operate (BOO) agreement. The project will also have back up power via diesel gensets.
- **Water:** Process water for Warrawoona will be provided via a combination of mine dewatering, estimated at ~15l/s, plus an additional supply of from new water bores in the

area of ~20-30l/s. The company expects it will need 8-10 groundwater production bores to meet the potential water demand. Several areas have been identified and exploration water holes have been drilled to confirm the availability of water.

- **Aerodrome:** The company is assessing either upgrading the Marble Bar aerodrome or a nearby historic aerodrome.
- **Accommodation Camp:** A 240 room accommodation village is proposed for the project. Negotiations are well advanced on sourcing a second hand camp and this price was used in the capital cost estimate.
- **Tailings:** The Tailings Storage Facility (TSF) at Warrawoona will be a valley fill tailings design whereby a cross valley containment embankment ~17m high and 250m long will be constructed. Tailings impoundment within the valley will be 750m wide and 2.3km long with an areas of ~140ha.

DEVELOPMENT TIMETABLE

Calidus's development timetable for Warrawoona is set out in the gant chart below.

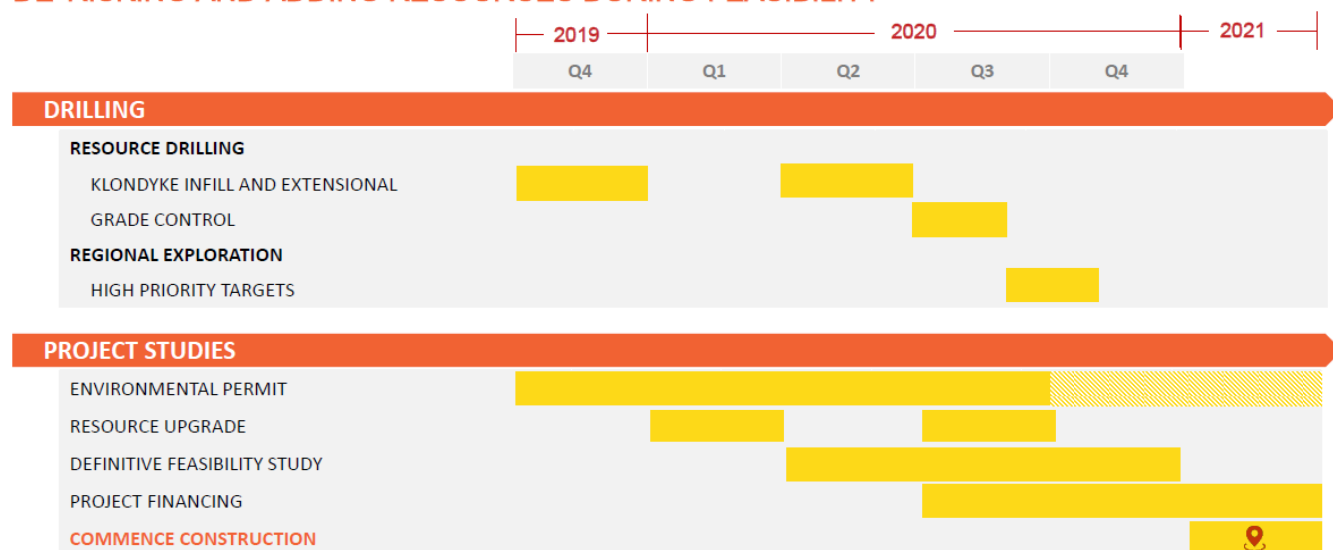
The company plans to complete the DFS for Warrawoona in Q4 CY20 followed by the commencement of the 12-month construction period in Q1 CY21, for first gold due in Q1 CY22.

In our view, the key risk to this timetable is probably the timely receipt of the company's environmental permits which it expects in 2H CY20.

While we believe the company's timetable should be achievable, to add a layer of conservatism to our assessment, our valuation assumes an additional 6-month buffer compared to the company's target schedule below.

DEVELOPMENT TIMELINE

DE-RISKING AND ADDING RESOURCES DURING FEASIBILITY



Source: Company

PERMITTING

The Warrawoona gold project will be subject to State and Federal Govt environmental assessment processes. Calidus made its submission to the EPA for Warrawoona on 11 November 2019¹.

In preparation for this submission the company spent several years and engaged 25 consultants to undertake environmental baseline studies and other studies. It also worked iteratively with the EPA before the final submission to reduce the risk of further questions and delays.

The Warrawoona project is not situated within, or in close proximity to any Nature Reserves, Nationally Important Wetlands, Environmentally Sensitive Areas, or other protected areas.

One of the key elements to the company's proposal is its strategy to mitigate the impact on native bat roosts which are present in the historical mine workings. The mitigation strategy includes:

- Creating an exclusion zone around the known bat roosts
- Creating a blasting buffer zone around the known bat roosts to minimise vibration impacts (keeping vibration to the same level applied to other sensitive sites including heritage sites)

The company has also decided to include a cyanide destruct circuit during secondary processing to reduce the concentration of cyanide discharge to 30mg/L, being 40% below the 50mg/L international cyanide code standard for wildlife protection. Given cyanide decomposes with sunlight (via UV oxidation) it is expected that cyanide concentration is likely to be even lower.

Calidus expects an initial decision from the EPA in Q1 CY20 on the type of assessment that will be required. If its application is "Proponent Referred" this essentially means the regulator has decided that the company has undertaken adequate studies and provided sufficient scientific evidence of its strategies to mitigate environmental impacts.

Under this scenario there would be no requirement for a public consultation period and the company would expect to receive its environmental approvals for Warrawoona in ~12 months, i.e. sometime in 2H CY20.

NATIVE TITLE

Warrawoona sits on a series of granted Mining Leases that have recently been renewed for 30 years. While the existing Mining Leases do not cover the entire Klondyke resource (see p7), the PFS pit is within the existing Mining Leases.

As we understand it, as these Mining Leases were either granted pre-native title or in the period immediately after that required different consultation, the Company does not require specific Native Title approval to begin mining on the leases. It may however need additional approvals for a General Purpose Lease that will cover the waste dump, tails dam and process plant.

The Njamal Group is the registered Native Title claimant group in the Warrawoona project area. Heritage surveys have been completed and no registered sites occur within the development envelope.

¹ Calidus's 206 page submission to the EPA on 11 November 2016 is available here:

http://www.epa.wa.gov.au/sites/default/files/Referral_Documentation/Referral%20Supplementary%20Report_0.pdf

SITE VISIT HIGHLIGHTS

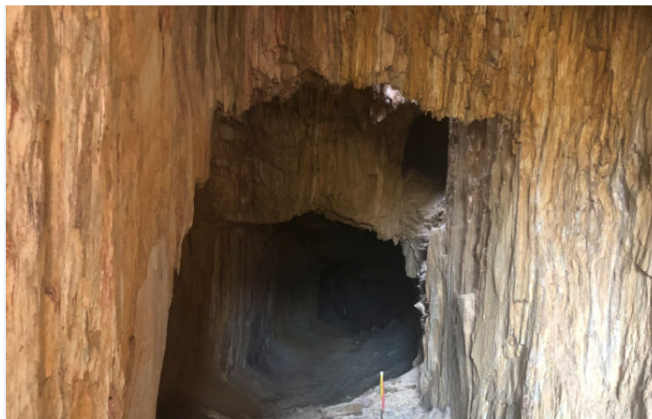
The pictures below were taken during our site visit to Calidus's Warrawoona project in Sept 2019.



Above: A typical site road at Warrawoona. Largely flat terrain excluding the ridge the gold mineralisation sits on.



Above: Historic workings show gold mineralisation runs along the ridgeline at Warrawoona.



Above: Historic workings at Warrawoona. Anecdotally, previous miners hit zones grading up to 6oz/t (~180g/t).



Above: Standing on the Klondyke resource facing south east. The gold mineralisation runs along this ridgeline.



Above: An RC rig at Warrawoona infill drilling to upgrade indicated material into the measured category.



Above: A diamond rig drilling Klondyke deeps. Drilling RC pre-collars for the first 200m with diamond tails.

Source: Blue Ocean site visit to Calidus's Warrawoona gold project, September 2019

INVESTMENT PROPOSITION

This section provides an overview of our valuation assumptions for Calidus.

VALUATION

Our valuation of Calidus is based on a discounted cashflow of Warrawoona using PFS assumptions, but assuming the company is able to extend the mine life from 6 years to 8 years.

Our valuation assumes a US\$1,500/oz gold price and 0.68 A\$/US, for an A\$ gold price of A\$2,206/oz, essentially in line with spot gold prices at the time of writing of ~A\$2,150/oz (+3%).

We then discount our DCF valuation by 60% to account for potential development risks ahead as well as potential dilution.

Our NPV for Warrawoona employs a 7% nominal discount rate, in line with our valuation of other Australian-based gold developers and producers.

| Key Project Metrics | | PFS July 2019 | DFS Q4 2020? | |
|----------------------------|--------|---------------|--------------|--------------|
| Initial capex | A\$m | A\$124m | A\$125m? | |
| Gold production | kozpa | ~100 | ~100? | |
| AISC | A\$/oz | 1,159 | ~1,200? | |
| Mine life | years | 6 | 8? | |
| Financial Outcomes | | Spot gold | Spot gold | Blue Ocean |
| Gold Price | A\$/oz | ~A\$2,150/oz | ~A\$2,150/oz | ~A\$2,200/oz |
| NPV post-tax | A\$m | 229 | 321 | 357 |
| Avg operating CF (pre-tax) | A\$m | 100 | 100 | 108 |
| IRR post-tax | % | 54% | 56% | 60% |

Source: Company, IRESS, Blue Ocean estimates

We believe it's worth highlighting the eye-watering post-tax IRRs of Warrawoona, which are north of 50% at current gold prices. Gold projects are typically lower capex than comparable projects in other commodities, but when combined with a spot gold price of ~A\$2,150/oz, in a low-yield world, in our view projects like Warrawoona are particularly appealing.

We also include a notional A\$15m valuation for Calidus's exploration potential at Warrawoona, which may in time prove too low, particularly given the company has essentially tripled its gold resource to 1.25moz over the last ~2.5 years.

FUNDING ASSUMPTIONS

The table below outlines our funding assumptions for Warrawoona. We believe the strength of the cashflows from Warrawoona at current gold prices are likely to support at least 60-70% debt. Our valuation assumes 60% debt with the balance raised in equity in CY21.

At the end of Sept 2019, Calidus had A\$9.9m in cash, which we believe should be sufficient for the company to complete the DFS for Warrawoona in Q4 CY20.

| Funding Uses | | A\$m | Funding Sources | | A\$m |
|-------------------------------|--|------------|-----------------|-----|------------|
| Initial Capex | | 125 | Debt | 60% | 90 |
| Working capital & other costs | | 25 | Equity | 40% | 60 |
| Total | | 150 | Total | | 150 |

Source: Company, Blue Ocean estimates

VALUATION SENSITIVITY

On our forecasts, in the current gold price environment, Warrawoona appears to be a *very* robust gold project.

We believe the tables below demonstrate:

- Even at materially lower gold prices, Warrawoona would have a sufficiently attractive post-tax IRR to justify development
- If the US\$ gold price rallies to US\$1,600/oz next year, as a number of market commentators are forecasting, the NPV for Warrawoona increases to A\$418m – [more than 10x the current EV of ~A\\$40m](#)

Warrawoona Sensitivity Analysis

| NPV (A\$m, 100%) | | Gold Price (US\$/oz) | | | | |
|-------------------------|-----|----------------------|-------|-------|-------|-------|
| | | 1,300 | 1,400 | 1,500 | 1,600 | 1,700 |
| Discount Rate (Nominal) | 6% | 254 | 317 | 381 | 445 | 508 |
| | 7% | 236 | 297 | 357 | 418 | 478 |
| | 8% | 220 | 278 | 336 | 393 | 451 |
| | 10% | 191 | 244 | 296 | 348 | 401 |

Source: Company, Blue Ocean estimates. Based on A\$/US of 0.68

| Post-tax IRR (100%) | | Gold Price (US\$/oz) | | | | |
|---------------------|---|----------------------|-------|-------|-------|-------|
| | | 1,300 | 1,400 | 1,500 | 1,600 | 1,700 |
| Post-tax IRR | % | 43% | 52% | 60% | 68% | 76% |

Source: Company, Blue Ocean estimates. Based on A\$/US of 0.68

PRICE TARGET & RATING

We initiate coverage of Calidus Resources with a Buy recommendation and 55c price target, an implied potential return of ~150%.

Our 55c Price Target for Calidus is based on:

- a discounted cashflow of Warrawoona using PFS assumptions, but assuming the company is able to extend the mine life from 6 years to 8 years
- our valuation assumes a US\$1,500/oz gold price and 0.68 A\$/US, for an A\$ gold price of A\$2,206/oz, essentially in line with spot gold prices at the time of writing of ~A\$2,150/oz (+3%)
- we apply a 60% discount to our NPV for Warrawoona to account for potential development risks ahead as well as potential dilution

STRATEGIC TARGET

Our 65c Strategic Target for Calidus assumes the gold price rallies to US\$1,600/oz **or** the company is able to undertake its major raising to build Warrawoona in CY21 at a price higher than 30c.

As such, we see significant upside potential above our 65c Strategic Target if the company's shares re-rate materially during CY20.

KEY RISKS

Calidus is exposed to all the normal risks associated with developing a mining project, including, permitting, funding and construction risks, as well as normal project ramp up and commissioning risks.

Assuming Calidus can successfully make the transition into production, its revenues will be derived from the sale of gold. Fluctuations in the prices of gold as well as the Australian dollar could impact the company's reported cash flow (in A\$), profitability and share price.

As Calidus' project is based in Western Australia, an investment in Calidus also carries Australian sovereign risk, which we regard as a relatively stable and safe jurisdiction compared to many other gold mining jurisdictions around the world.

MODEL SUMMARY: FINANCIALS & VALUATION
Stock Details

| | | | |
|-----------------|------------|--------------|---------|
| Recommendation: | BUY | | |
| Target | \$0.55 | Share Price | \$0.215 |
| NAV | \$0.55 | 52 Week High | \$0.40 |
| Implied Return | 156% | 52 Week Low | \$0.20 |

| | |
|------------------|---------|
| Enterprise Value | \$39m |
| Diluted MCap | \$49m |
| Diluted Shares | 227m |
| Free Float | 100% |
| Avg Daily Value | \$0.09m |

| Macro Assumptions | FY19 | FY20E | FY21E | FY22E | FY23E |
|------------------------------|-------|-------|-------|-------|-------|
| Exchange Rate (A\$/US\$) | 0.72 | 0.68 | 0.68 | 0.68 | 0.68 |
| Gold Price (US\$/oz) | 1,263 | 1,489 | 1,500 | 1,500 | 1,500 |
| Gold Price Realised (A\$/oz) | 1,766 | 2,185 | 2,206 | 2,206 | 2,206 |

| Profit & Loss (A\$m) | FY19 | FY20E | FY21E | FY22E | FY23E |
|------------------------------|------------|------------|------------|------------|------------|
| Revenue | - | - | - | - | 211 |
| Operating Costs | - | - | - | - | (105) |
| Operating Profit | - | - | - | - | 106 |
| Corporate & Other | (3) | (3) | (3) | (3) | (4) |
| Exploration Expense | (0) | - | - | - | - |
| EBITDA | (3) | (3) | (3) | (3) | 102 |
| D&A | (0) | (0) | (0) | (0) | (15) |
| EBIT | (3) | (3) | (3) | (3) | 87 |
| Net Interest Expense | 0 | 0 | 0 | 0 | (7) |
| Pre-Tax Profit | (3) | (3) | (3) | (3) | 80 |
| Tax Expense | - | - | - | - | (24) |
| Underlying Profit | (3) | (3) | (3) | (3) | 56 |
| Significant Items (post tax) | 1 | - | - | - | - |
| Reported Profit | (1) | (3) | (3) | (3) | 56 |

| Cash Flow (A\$m) | FY19 | FY20E | FY21E | FY22E | FY23E |
|--------------------------------|------------|------------|------------|--------------|-------------|
| Operating Cashflow | (3) | (3) | (3) | (3) | 102 |
| Tax | - | - | - | - | (12) |
| Net Interest | 0 | 0 | 0 | 0 | (7) |
| Net Operating Cash Flow | (3) | (3) | (3) | (3) | 83 |
| Exploration | (7) | (6) | (4) | (4) | (4) |
| Capex | (0) | - | - | (125) | (5) |
| Acquisitions / Disposals | - | - | - | - | - |
| Other | - | - | - | - | - |
| Net Investing Cash Flow | (7) | (6) | (4) | (129) | (9) |
| Equity Issue | 8 | 9 | 10 | 60 | - |
| Borrowing / Repayments | - | - | - | 90 | (60) |
| Dividends | - | - | - | - | - |
| Other | - | - | - | - | - |
| Net Financing Cash Flow | 8 | 9 | 10 | 150 | (60) |
| Change in Cash Position | (2) | 1 | 3 | 18 | 14 |
| FX Adjustments | - | - | - | - | - |
| Cash Balance | 4 | 5 | 8 | 26 | 40 |

| Balance Sheet (A\$m) | FY19 | FY20E | FY21E | FY22E | FY23E |
|---------------------------|-----------|-----------|-----------|------------|------------|
| Cash | 4 | 5 | 8 | 26 | 40 |
| Other Current Assets | 2 | 2 | 2 | 2 | 2 |
| PP&E | 0 | 0 | 0 | 125 | 115 |
| Exploration & Development | 18 | 24 | 28 | 32 | 36 |
| Other Non Current Assets | 0 | 0 | 0 | 0 | 0 |
| Total Assets | 24 | 30 | 38 | 184 | 193 |
| Debt | - | - | - | 90 | 30 |
| Other Liabilities | 2 | 2 | 2 | 2 | 14 |
| Net Assets | 22 | 28 | 36 | 92 | 148 |

| Ratio Analysis | | FY19 | FY20E | FY21E | FY22E | FY23E |
|----------------|----------|-------------|-------------|-------------|-------------|-------------|
| Diluted Shares | m | 158 | 219 | 264 | 524 | 524 |
| EPS - Diluted | Ac | (1.8) | (1.4) | (1.1) | (0.7) | 10.7 |
| P/E | x | n.m. | n.m. | n.m. | n.m. | 2.0x |
| CFPS - Diluted | Ac | (2.0) | (1.3) | (1.1) | (0.7) | 15.9 |
| P/CF | x | n.m. | n.m. | n.m. | n.m. | 1.4x |
| FCF - Diluted | Ac | (1.8) | (1.2) | (1.1) | (24.4) | 16.2 |
| P/FCF | x | n.m. | n.m. | n.m. | n.m. | 1.3x |

| | | | | | | |
|----------------|----|---|---|---|---|---|
| Dividends | Ac | - | - | - | - | - |
| Dividend yield | % | - | - | - | - | - |
| Payout Ratio | % | - | - | - | - | - |
| Franking | % | - | - | - | - | - |

| | | | | | | |
|------------------|----------|----------------|----------------|----------------|----------------|-------------|
| Enterprise Value | A\$m | 45 | 44 | 41 | 113 | 39 |
| EV/EBITDA | x | (17.8x) | (16.4x) | (14.6x) | (35.3x) | 0.4x |
| ROE | % | (11%) | (10%) | (8%) | (3%) | 38% |
| ROA | % | (10%) | (9%) | (7%) | (2%) | 29% |

| | | | | | | |
|---------------------|---|------|------|------|-----|-------|
| Net Debt / (Cash) | | (4) | (5) | (8) | 64 | (4) |
| Gearing (ND/(ND+E)) | % | n.m. | n.m. | n.m. | 41% | (23%) |
| Gearing (ND/E) | % | n.m. | n.m. | n.m. | 69% | (19%) |

| | P&P Reserves | | | M&I Resources | | | Inferred |
|------------------|--------------|------------|------------|---------------|------------|------------|------------|
| | mt | g/t | koz | mt | g/t | koz | koz |
| Klondyke OP | 8.0 | 1.4 | 348 | 12.3 | 1.7 | 670 | 260 |
| Klondyke UG | 0.9 | 2.4 | 70 | 0.8 | 3.3 | 80 | 140 |
| Copenhagen | | | | 0.2 | 5.3 | 36 | 3 |
| Coronation | | | | | | | 34 |
| Fieldings Gully | | | | 0.2 | 1.7 | 9 | 16 |
| Sub Total | 8.9 | 1.5 | 418 | 13.5 | 1.8 | 795 | 453 |

Total M+I+I = 1.25moz @ 1.8g/t

| Earnings Sensitivity | | FY23E | FY24E | FY23E | FY24E |
|----------------------|---------------|-------|-------|-------|-------|
| | | A\$m | A\$m | % | % |
| Gold Price | US\$/oz +10% | 14 | 15 | 26% | 26% |
| Exchange Rate | A\$/US\$ -10% | 16 | 17 | 29% | 29% |

| Valuation | Discount | Stake | A\$m | A\$/sh |
|----------------------------|----------|-------|------------|--------------|
| Warrawoona (unrisked) | | 100% | 324 | 1.42 |
| Warrawoona (risk-adjusted) | 60% | 100% | 129 | 0.57 |
| Exploration | | | 15 | 0.07 |
| Corporate & Other | | | (30) | (0.13) |
| Debt | | | - | - |
| Cash | | | 9.9 | 0.04 |
| Listed Investments | | | 1.2 | 0.01 |
| Option Strikes | | | - | - |
| Risk adjusted NAV | | | 126 | 0.55 |
| | | | | 0.39x |

Source: Company data, Blue Ocean Equities

MODEL SUMMARY: INPUTS & FREE CASH FLOW

| Operational Summary | | | | | | Macro Assumptions | | | | | | | |
|--------------------------------|---------------|-------|-------|-------|--------------|---------------------------------|---------------------------------|----------|-------|-------|-------|-------|-------|
| | | FY20E | FY21E | FY22E | FY23E | FY24E | | FY20E | FY21E | FY22E | FY23E | FY24E | |
| Warrawoona - Mining | | | | | | FCF Contribution | | | | | | | |
| Open Pit Ore | | | | | | A\$m | | | | | | | |
| % from Open Pit | % | - | - | - | 83% | 73% | Exchange Rate | A\$/US\$ | 0.68 | 0.68 | 0.68 | 0.68 | 0.68 |
| Open Pit Mill Feed | mt | - | - | - | 1.7 | 1.5 | Gold Price | US\$/oz | 1,489 | 1,500 | 1,500 | 1,500 | 1,500 |
| Open Pit Head Grade | g/t | - | - | - | 1.4 | 1.2 | Gold Price Realised | A\$/oz | 2,185 | 2,206 | 2,206 | 2,206 | 2,206 |
| Strip ratio (waste:ore) | x | - | - | - | 5.0 | 5.0 | | | | | | | |
| Underground Ore | | | | | | Warrawoona | | | | | | | |
| % from Underground | % | - | - | - | 18% | 26% | Revenue | | - | - | - | 211 | 216 |
| Underground Mill Feed | kt | - | - | - | 0.3 | 0.6 | Operating Costs | | - | - | - | 105 | 111 |
| Underground Head Grade | g/t | - | - | - | 2.1 | 2.5 | Sustaining Capex | | - | - | - | 5 | 5 |
| Warrawoona - Processing | | | | | | Sustaining Exploration | | | | | | | |
| Mill Throughput | mt | - | - | - | 2.0 | 2.0 | Corp Overheads | | 3 | 3 | 3 | 4 | 4 |
| Head Grade | g/t | - | - | - | 1.6 | 1.6 | All-in Sustaining Margin | | - | - | - | 97 | 95 |
| Recovery | % | - | - | - | 95% | 95% | | | | | | | |
| Gold Production | koz | - | - | - | 96 | 98 | | | | | | | |
| All-in Sustaining Cost | A\$/oz | - | - | - | 1,154 | 1,194 | | | | | | | |
| | | | | | | Operations | | | | | | | |
| | | | | | | A\$m | | | | | | | |
| | | | | | | FY20E | | | | | | | |
| | | | | | | FY21E | | | | | | | |
| | | | | | | FY22E | | | | | | | |
| | | | | | | FY23E | | | | | | | |
| | | | | | | FY24E | | | | | | | |
| | | | | | | Revenue | | | | | | | |
| | | | | | | All-in Sustaining Cost | | | | | | | |
| | | | | | | All-in Sustaining Margin | | | | | | | |
| | | | | | | Growth Capex | | | | | | | |
| | | | | | | Growth Exploration | | | | | | | |
| | | | | | | All-in Margin | | | | | | | |
| | | | | | | Corporate | | | | | | | |
| | | | | | | A\$m | | | | | | | |
| | | | | | | FY20E | | | | | | | |
| | | | | | | FY21E | | | | | | | |
| | | | | | | FY22E | | | | | | | |
| | | | | | | FY23E | | | | | | | |
| | | | | | | FY24E | | | | | | | |
| | | | | | | Cash Tax | | | | | | | |
| | | | | | | Other Items | | | | | | | |
| | | | | | | FCF pre Debt Service | | | | | | | |
| | | | | | | Net Interest | | | | | | | |
| | | | | | | Debt Drawdown / (Repayment) | | | | | | | |
| | | | | | | FCF post Debt Service | | | | | | | |
| | | | | | | New Equity/Dividends | | | | | | | |
| | | | | | | A\$m | | | | | | | |
| | | | | | | FY20E | | | | | | | |
| | | | | | | FY21E | | | | | | | |
| | | | | | | FY22E | | | | | | | |
| | | | | | | FY23E | | | | | | | |
| | | | | | | FY24E | | | | | | | |
| | | | | | | Proceeds from Shares/Options | | | | | | | |
| | | | | | | Dividends Paid | | | | | | | |
| | | | | | | Change in Cash | | | | | | | |
| | | | | | | Cash Balance | | | | | | | |

Source: Company data, Blue Ocean Equities

BOARD & MANAGEMENT

Mark Connelly, Non-Executive Chairman: Mr Connelly was previously **Managing Director of Papillion Resources and was instrumental in the US\$570m takeover of Papillion by B2Gold Corp in October 2014**. Prior to Papillion, Mr Connelly was Chief Operating Officer of Endeavour Mining, following its merger with Adamus Resources Limited where he was Managing Director and CEO. Mark currently holds a number of other directorships in resource and engineering service companies.



David Reeves, Managing Director: David Reeves is mining engineer with 30 years' experience, he is currently a director of Keras Resources Plc (AIM) and Non-executive Chairman of European Metals Holdings (ASX/AIM). Mr Reeves has proven feasibility and development experience having been **involved with the building of three mines** in his career and also has extensive capital markets through his involvement with various listed London and Australian companies. Mr Reeves has a first class WA Mine Managers ticket and a Graduate Diploma in Finance and Investment. He was MD of Keras Resources Plc when Keras consolidated the Calidus project area.



Keith Coughlan, Non-exec Director: Mr Coughlan has almost 30 years' experience in stockbroking and funds management. He has been involved in the funding and promoting of resource companies listed on ASX, AIM and TSX, has advised various companies on the identification and acquisition of resource projects and was previously employed by one of Australia's then largest funds. Mr Coughlan is the managing director of European Metals Holdings (AIM and ASX) and recently retired as chairman of ASX listed Talga Resources Limited.



Adam Miethke, Non-exec Director: Mr Miethke is a geologist with over 16 years' experience in the mining industry. Mr Miethke worked for Rio Tinto's iron ore division before joining Snowden Mining Consultants. After completing an MBA in 2008, he joined Regent Pacific Group in Hong Kong as technical director, overseeing the group's investment portfolio. Between 2011 and 2016, Mr Miethke was a director of the corporate finance team at Argonaut Capital Limited, and led Argonaut's metals and mining division.



Richard Hill, CFO: Mr Hill is a finance professional with more than 20 years' experience in the resources sector, primarily in gold. **Most recently he was CFO at Echo Resources (ASX:EAR)**. Mr Hill's experience incorporates arrangement of financing agreements, treasury and derivative management, strategy development and risk management. Mr Hill holds a Bachelor of Commerce Degree, is a member of CPA Australia and has a Graduate Diploma of Advanced Corporate Governance.



Paul Brennan, COO: Mr Brennan is a mining engineer with 20 years' experience in the mining and resources industry, having previously held roles in Technical, Operations Management, Project Management and Consultant capacity. **Most recently, he was General Manager of Saracen Mineral Holdings' (ASX: SAR) Carosue Dam gold mine in Western Australia**, where he was responsible for the management of production, safety and financial reporting. Mr Brennan holds a Bachelor of Engineering (Mining) from the West Australian School of Mines.



Jane Allen, Geology Manager: Jane has over 30 years' experience in managing greenfields, brownfields and near mine exploration in gold and base metals. Jane has previously been employed by AngloGold Ashanti, Resolute Mining Limited, Avion Gold Corporation and Great Central Mines. She most recently headed up Brownfields Exploration for AngloGold Ashanti for all Continental African Operations.



CONTACTS

ANALYST

Steuart McIntyre

Senior Resource Analyst

P +61 2 8072 2909

E steartmcintyre@boeq.com.au

AUTHORITY

David O'Halloran

Executive Director

P +61 2 8072 2904

E doh@boeq.com.au

Philip Pepe

Senior Industrials Analyst

P +61 2 8072 2921

E philpepe@boeq.com.au

Stuart Turner

Senior Industrials Analyst

P +61 2 8072 2923

E stuartturner@boeq.com.au

Justin Pezzano

Research Associate

P +61 2 8072 2926

E justinpezzano@boeq.com.au

Michael Gerges

Investment Analyst

P +61 2 8072 2935

E michaelgerges@boeq.com.au

Mathan Somasundaram

Market Portfolio Strategy

P +61 2 8072 2916

E mathan@boeq.com.au

Jess Crawford

Dealing Associate

P +61 2 8072 2931

E Jesscrawford@boeq.com.au

Mark Wallace

Institutional Dealing

P +61 2 8072 2922

E markwallace@boeq.com.au

Adam Stratton

Institutional Dealing

P +61 2 8072 2913

E adamstratton@boeq.com.au

Scott Calcraft

Institutional Dealing

P +61 2 8072 2920

E scottcalcraft@boeq.com.au

Doc Cromme

Institutional Dealing

P +61 2 8072 2925

E doccromme@boeq.com.au

Josie Nicol

Dealing Associate

P +61 2 8072 2031

E josienicol@boeq.com.au

HEAD OFFICE

Blue Ocean Equities Pty. Ltd.

AFSL No. 412765

ABN 53 151186935

P +61 2 8072 2988

E info@boeq.com.au

W blueoceanequities.com.au

Level 29, 88 Phillip Street

Sydney NSW 2000

Australia

DISCLAIMER

This document is a private communication to clients and is not intended for public circulation or for the use of any third party, without the prior approval of Blue Ocean Equities Pty Limited. This is general investment advice for Institutional and Sophisticated Investors only and does not constitute personal advice to any person. Because this document has been prepared without consideration of any specific client's financial situation, particular needs and investment objectives you should consult your own investment adviser before any investment decision is made on the basis of this document.

While this document is based on information from sources which are considered reliable, Blue Ocean Equities Pty Limited has not verified independently the information contained in the document and Blue Ocean Equities Limited and its directors, employees and consultants do not represent, warrant or guarantee, expressly or by implication, that the information contained in this document is complete or accurate. Nor does Blue Ocean Equities Limited accept any responsibility for updating any advice, views opinions, or recommendations contained in this document or for correcting any error or omission which may become apparent after the document has been issued.

Except insofar as liability under any statute cannot be excluded. Blue Ocean Equities Pty Limited and its directors, employees and consultants do not accept any liability (whether arising in contract, in tort or negligence or otherwise) for any error or omission in this document or for any resulting loss or damage (whether direct, indirect, consequential or otherwise) suffered by the recipient of this document or any other person.

DISCLOSURE

Blue Ocean Equities Pty Limited, its employees, consultants and its associates within the meaning of Chapter 7 of the Corporations Law may receive commissions, underwriting and management fees from transactions involving securities referred to in this document, and may from time to time hold interests in the securities referred to in this document.

Blue Ocean Equities Pty Limited and associates may hold shares in Calidus Resources at the date of this report and this position may change at any time without notice.

Steuart McIntyre does not own shares in Calidus Resources.